

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on Universal)	CC Docket No. 96-45
Service Seeks Comment on Review of)	
Lifeline and Link-Up Service for Low Income)	
Customers)	

COMMENTS OF SBC COMMUNICATIONS INC.

SBC Communications Inc. (SBC) hereby submits its comments in response to the October 12, 2001 Public Notice issued by the Federal-State Joint Board on Universal Service (Joint Board) seeking comment on Lifeline and Link-Up support programs for low-income consumers (hereinafter collectively referred to as the Low-Income programs).¹ As an incumbent local exchange carrier operating in thirteen states, SBC has experience with a wide range of state programs. Based on SBC's experience, an effective Lifeline program is one that is easy for consumers to participate in and easy for carriers to administer.

I. Introduction

SBC's comments in a number of recent universal service proceedings have emphasized the importance of simplification. Complex rules, by their very nature, make it more difficult for consumers to participate in the Low-Income programs. In addition, complex rules create additional administrative costs for the Low-Income programs and are likely to have a disparate impact on different carriers. This is especially the case in

¹ *Federal-State Joint Board on Universal Service Seeks Comment on Review of Lifeline and Link-Up Service for all Low-Income Consumers*, CC Docket No. 96-45, Public Notice, FCC 01J-2 (rel. Oct. 12, 2001).

states that have multiple versions of the Low-Income programs. As the Joint Board and the Federal Communications Commission (Commission) conduct their review of the existing Low-Income programs, SBC encourages them to focus on making the program accessible for consumers and easy for carriers to administer. Simple rules and simple processes will help to ensure that universal service is administered in a competitively neutral fashion that also serves the greater public interest.

As discussed further below, SBC does not believe there is a need for sweeping reform of the current Low-Income programs. However, there is no question that some state programs could be improved. At one extreme are state programs that rely entirely on consumer self-certification without providing or facilitating verification of eligibility. At the other extreme are state programs that require carriers to automatically enroll consumers using an inefficient and time-consuming verification process. In SBC's experience, the best approach lies somewhere in between. In Illinois, for example, carriers can perform on-line verification of a consumer's eligibility by obtaining real-time access to a database of state low-income assistance program participants. The result is a streamlined process for both consumers and carriers.

In considering modifications to the current Low-Income programs, the Joint Board and the Commission must weigh the costs and potential benefits of additional requirements. Before assuming there is a problem with the existing programs, the Joint Board and the Commission should analyze the extent to which other factors – such as consumer reluctance to accept public assistance and the growing use of alternatives to traditional wireline telephony services – impact participation in the Low-Income programs. The Joint Board and the Commission also should consider the fact that

additional requirements will increase the cost of administering the Low-Income programs and that such costs ultimately will be borne by consumers.

II. Eligibility for Low-Income Programs Should Be Determined in an Efficient and Cost-Effective Manner

A. Self-Certification

Some states have chosen to rely exclusively on consumer certification of income level without providing any mechanism for the government or carriers to verify eligibility. There are public interest benefits to opening up the Low-Income programs to consumers who may not participate in other government assistance programs (*e.g.*, working poor, migrant workers). However, the trade-off is that this type of Low-Income program is an invitation for some consumers to engage in regulatory arbitrage or even fraud. The Joint Board and the Commission have a responsibility to all consumers to ensure that universal service funding is used properly, and the unconditional provision of discounted telecommunications services is completely contrary to that objective.

The problem is compounded by the fact that there is no realistic way for a carrier to verify eligibility that is defined solely according to income level. It is both impractical and intrusive for a carrier to bear the burden of screening its customer's income levels on behalf of the government. At the very least, a self-certification program should operate in the same fashion as the Commission's rules that apply when there is no state program in place. Rather than self-certifying as to income level, the customer self-certifies that they are receiving benefits from at least one of the qualifying federal low-income programs.² Not only is it much easier for a carrier to verify eligibility, but this process ensures that

² 47 C.F.R. § 54.409(b).

the government has primary responsibility for ensuring the eligibility of consumers for low-income programs.

B. Auto-Enrollment

At the other end of the spectrum are states that require carriers to automatically enroll consumers in Low-Income programs based on their participation in another state low-income assistance program. SBC's experience with the auto-enrollment process is that it results in enormous administrative burdens and expense. In its current form, auto-enrollment involves the periodic review of very large, non-standardized data feeds by SBC. Because these data feeds are not standard, they cannot be mechanically processed. As such, a great deal of manual screening and filtering of data must take place before the information from these data streams can be used.

Even after the data has been manipulated into a coherent form, it is not necessarily accurate or useful. SBC's experience in Ohio demonstrates that the auto-enrollment process is "hit or miss" at best. In November alone, SBC reviewed more than 15,000 records from the Ohio Department of Jobs and Family Services, the vast majority of which did *not* result in enrollment of a new Lifeline customer. For example, of the 15,265 records that were reviewed:

- 4,000+ records were not SBC customers,
- 160 records involved telephone numbers that were not even in the state,
- 115 records involved customers that were already involved in Lifeline,
- 1,600+ records involved circumstances where the name associated with the listed phone number account did not match the name in the data feed.
- 4,800+ records involved situations where a match between the company database and the data feed was determined by Social Security number, but the phone number listed did not match.

Once SBC completed the exhaustive process of manually screening and reviewing the 15,265 records, only 487 customers (just over 3% of the total records) were successfully enrolled in the Lifeline program via the “automatic” enrollment process.

However, even if the significant problems of mechanizing the auto-enrollment process were resolved, it is questionable whether auto-enrollment is the right thing to do from a consumer standpoint. There is a compelling public policy argument that participation in the Low-Income programs should be the choice of the consumer, not the choice of the carrier or the government. The auto-enrollment process results in a change in the consumer’s telephone account without any attempt to secure the consent of the consumer to make this change. Thus, it has implications for the privacy and choice of low-income consumers.

The Joint Board and the Commission should not ignore the consumer impact of the auto-enrollment process. Commenters have noted that the utilization of the Low-Income programs is affected by the perceived stigma associated with participating in low-income assistance programs.³ SBC has anecdotal information to corroborate the truth of that assertion. In Nevada, for example, it is not uncommon for consumers who are auto-enrolled in the Lifeline program to subsequently request that their service be removed from the Lifeline program and returned to its original non-Lifeline status. SBC believes it would be better to give consumers the choice up front whether or not to participate in a Low-Income program, rather than forcing them to contact their carrier and ask to be removed from the program.

³ Oklahoma Corporation Commission Comments at 5 (filed Dec. 19, 2001).

C. On-Line Verification

Based on SBC's experience, the most effective Low-Income programs make it easy for consumers to participate and easy to verify eligibility in a non-intrusive manner. In Illinois, for example, carriers can perform on-line verification of a consumer's eligibility by obtaining real-time access to a database of state low-income assistance program participants. SBC has been in discussions with other states to establish a similar verification process.

The benefits of on-line verification are obvious. Consumers retain the ability to elect whether or not to participate in the Low-Income programs. If the consumer does elect to participate, then eligibility can be verified without subjecting the consumer to a burdensome or embarrassing process to determine income level. Moreover, eligibility is tied to participation in a state low-income assistance program, which means that the state already has conducted a more rigorous screening process to verify that the consumer is eligible to participate in low-income programs. The end result is a system where it is easy for consumers to participate, but there is also some verification of eligibility beyond self-certification of income level.

From the carrier's perspective, the on-line verification process is relatively easy to administer, particularly in comparison to the auto-enrollment process. It also obviates the need for carriers to carry out what should be a government function. The government, not private telephone companies, should be responsible for inquiring and making determinations about a consumer's income level to verify the consumer's eligibility for low-income assistance programs. By obtaining direct access to a state's low-income assistance program database, the carrier can quickly verify a customer's eligibility

without conducting a lengthy screening process or obtaining documentation from the customer. Another benefit of this approach is that the state could provide carriers with a periodic (*e.g.*, annual) list of those who are no longer participating in the state low-income assistance program so that the Low-Income programs remain up to date.

III. The Joint Board and the Commission Should Weigh the Costs and Potential Benefits of Any Proposed Modifications to the Low-Income Programs

In considering modifications to the current Low-Income programs, the Joint Board and the Commission must weigh the costs and potential benefits of additional requirements. Before assuming there is a problem with the existing programs, the Joint Board and the Commission should analyze the extent to which other factors impact participation in the Low-Income programs. For example, it is not clear that imposing additional outreach or marketing requirements on carriers would be effective in increasing participation in Low-Income programs. Many states already require carriers to conduct outreach and marketing efforts, so additional requirements could result in duplicative or conflicting obligations.

Moreover, it is not clear that there is a problem with participation in Low-Income programs. The key to measuring the success or failure of the Low-Income programs is not in the overall “take rate” of such programs, but rather in the ability of interested eligible consumers to participate in such programs. As previously discussed, there are many reasons why eligible consumers may choose not to participate in the Low-Income programs. One such reason is that a consumer may not want to receive public assistance, even though it may be readily available. Another reason is that a growing number of consumers are utilizing alternatives to traditional wireline telephony service, such as wireless service and calling cards. Given the rapid evolution of the telecommunications

market, the Joint Board and the Commission should conduct a comprehensive analysis of the market before making any modifications to the Low-Income programs.

The Joint Board and the Commission also should consider the fact that additional requirements will increase the cost of administering the Low-Income programs and that such costs ultimately will be borne by consumers. An important issue that is not mentioned in the Public Notice is how any modifications to the Low-Income programs would be funded. If additional administrative or outreach and marketing costs are imposed on carriers, then the Joint Board and the Commission must ensure that all carriers have the ability to recover the costs of Low-Income programs. That is not necessarily the case today. California is one of the few states that provides SBC with cost recovery for administering Low-Income programs. Thus, any modifications that increase the costs of the Low-Income programs must be accompanied by funding or cost recovery mechanisms.

Respectfully submitted,

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December 31, 2001